

LOS ANGELES GRAND AVENUE AUTHORITY

ANNUAL FINANCIAL REPORT

June 30, 2017

LOS ANGELES GRAND AVENUE AUTHORITY
June 30, 2017

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report.....	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Statement of Net Position as of June 30, 2017	6
Statement of Revenues, Expenses, and Change in Net Position for the Fiscal Year Ended June 30, 2017	7
Statement of Cash Flows for the Fiscal Year Ended June 30, 2017	8
Notes to the Basic Financial Statements	9
Supplemental Information:	
Combining Statement of Net Position as of June 30, 2017	17
Combining Statement of Revenues, Expenses, and Change in Net Position for the Fiscal Year Ended June 30, 2017	18
Combining Statement of Cash Flows for the Fiscal Year Ended June 30, 2017	19



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
433 N. CAMDEN DR., SUITE 5730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM AVE., SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

Independent Auditor's Report

To the Honorable Board of Directors
Los Angeles Grand Avenue Authority
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles Grand Avenue Authority (Authority), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2017, and the changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the basic financial statements, effective July 1, 2016, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, Statement No. 77, Tax Abatement Disclosures, Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, Statement No. 80, Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14, and Statement No. 82, Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 and 5, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
January 15, 2018

**LOS ANGELES GRAND AVENUE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The Management's Discussion and Analysis (MD&A) of the financial activities of the Los Angeles Grand Avenue Authority (the Authority) provides a narrative overview of the Authority's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the accompanying financial statements, footnotes, and supplementary information. Amounts contained in this discussion have been rounded to facilitate their readability.

Financial Highlights

- During the fiscal year ended June 30, 2017, the Authority's net position increased by \$7.09 million to \$15.31 million. Cash deposited in the County Treasury Pool increased by \$6.82 million to \$8.47 million.
- Operating revenues increased by \$6.00 million to \$7.20 million while operating expenses decreased by only \$7,414.
- The Authority has no capital assets.
- The Authority has no long-term debt.

Overview of Financial Statements

This MD&A serves as an introduction to the Authority's basic financial statements. The basic financial statements include five components: 1) Statement of Net Position; 2) Statement of Revenues, Expenses and Changes in Net Position; 3) Statement of Cash Flows; 4) Notes to the Financial Statements, and 5) Supplemental information.

- The Statement of Net Position presents all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator to determine whether the financial position of the Authority is improving or deteriorating.
- The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal year. All changes in net position (revenues and expenses) are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Accordingly, revenues and expenses are reported in this statement for items that will result in cash flows in future fiscal periods (e.g., accrued but unpaid contract and professional service fees).
- The Statement of Cash Flows presents information regarding the Authority's use of cash during the fiscal year and is an indicator of whether or not sufficient cash flow is being generated during the fiscal year to meet the operating needs of the Authority.

**LOS ANGELES GRAND AVENUE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017 (Continued)**

- The notes provide additional information that is essential for a full understanding of the data provided in the financial statements.
- The supplemental information includes schedules in the format of the basic financial statements, showing the activity for each fund.

Financial Statement Analysis

The Los Angeles Grand Avenue Authority was established between the County of Los Angeles (County) and the Community Redevelopment Agency of the City of Los Angeles (CRA) to provide for the development of certain properties owned by the County and the CRA located in the vicinity of Grand Avenue in downtown Los Angeles. Operating revenues have consisted primarily of contributions from the developer. Operating expenses have consisted primarily of contract and professional service fees.

As of June 30, 2017, the Authority's net position was \$15.31 million compared to \$8.21 million as of June 30, 2016. This increase was due to \$7.00 million paid by the Developer to the Authority for extension fees as outlined in the 5th amendment to the Disposition and Development agreement adopted on November 27, 2016. These extension fees will be used at the discretion of the Authority for public improvements and/or affordable housing on Parcel Q.

Assets consisted primarily of a \$6.00 million loan to the developer for financing of affordable housing development to be constructed at 237 South Grand Avenue and cash deposited in the County's Treasury Pool of \$8.47 million. Liabilities as of June 30, 2017 were \$0.04 million compared to \$0.06 million as of June 30, 2016 and consisted of accounts payable.

Capital Assets

As of June 30, 2017, the Authority had no capital assets.

Economic Factors

- In November 2016, the Authority board approved documents, including the revised Scope of Development related to the Development for Parcel Q for construction to begin at the end of 2018.
- The Scope of Development for Parcel W-2 is still pending.
- The Scope of Development for the parcel behind Parcel L is still pending.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the County of Los Angeles, Department of Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012.

LOS ANGELES GRAND AVENUE AUTHORITY
Statement of Net Position
As of June 30, 2017

Assets

Cash deposited with County Treasurer (Note 3)	\$	8,474,471
---	----	-----------

Receivables:

Accounts receivable		50,000
---------------------	--	--------

Accrued Interest		833,224
------------------	--	---------

Loan (Note 5)		5,995,000
---------------	--	-----------

Total Assets		15,352,695
---------------------	--	------------

Liabilities

Accounts payable		43,714
------------------	--	--------

Total Liabilities		43,714
--------------------------	--	--------

Net Position

Restricted for projects (Note 4)		15,308,981
----------------------------------	--	------------

Total Net Position	\$	15,308,981
---------------------------	----	------------

See accompanying notes to the basic financial statements

LOS ANGELES GRAND AVENUE AUTHORITY
Statement of Revenues, Expenses, and Change in Net Position
For the Fiscal Year Ended June 30, 2017

Operating Revenues:

Contributions from developers	\$ 7,200,140
Total Operating Revenues	<u>7,200,140</u>

Operating Expenses:

Contract and professional service fees	336,385
Total Operating Expenses	<u>336,385</u>

Operating Income	6,863,755
-------------------------	-----------

Non-Operating Revenues:

Interest	<u>231,145</u>
----------	----------------

Change in Net Position	7,094,900
-------------------------------	-----------

Net Position, beginning of the fiscal year	<u>8,214,081</u>
---	------------------

Net Position, end of the fiscal year	<u><u>\$ 15,308,981</u></u>
---	-----------------------------

See accompanying notes to the basic financial statements

LOS ANGELES GRAND AVENUE AUTHORITY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

Cash Flows from Operating Activities:

Cash received from developers	\$ 7,150,140
Cash paid to suppliers for goods and services	<u>(353,675)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>6,796,465</u></u>

Cash Flows from Investing Activities:

Interest received	<u>21,077</u>
Net Cash Provided (Used) by Investing Activities	<u><u>21,077</u></u>

Net Increase/(Decrease) in Cash 6,817,542

**Cash Deposited with County Treasurer,
Beginning of Fiscal Year** 1,656,929

**Cash Deposited with County Treasurer,
End of Fiscal Year** \$ 8,474,471

**Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$ 6,863,755
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	(50,000)
Increase (decrease) in accounts payable	<u>(17,290)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 6,796,465</u></u>

See accompanying notes to the basic financial statements

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Los Angeles Grand Avenue Authority (Authority), a separate public entity, was formed on September 2, 2003, as a joint powers authority by the County of Los Angeles (County) and the Community Redevelopment Agency of the City of Los Angeles (CRA), now named the CRA/LA, a designated local Authority. The Authority was established for the purpose of coordinating the development of certain properties owned by the County and the CRA located in the vicinity of Grand Avenue in downtown Los Angeles.

The Authority is governed by a Board of Directors composed of five directors: the County Supervisor for the First District where the properties are located, the County's Chief Executive Officer, the Councilperson for the City Council District where the CRA properties are located, the Administrator from the CRA/LA, and one Governor-appointed person to serve as a non-voting Director.

The Authority is legally separate and fiscally independent from each of the member entities. This means it can make and enter into contracts, land lease or sales agreements, employ agents and employees, take all actions necessary for the development of the properties, issue requests for qualifications and/or proposals, and evaluate developer responses.

The accompanying financial statements reflect the financial activities of the Authority. The Authority has no component units.

B. Significant Accounting Policies

The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting and Measurement Focus

The Authority is accounted for as enterprise funds (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred.

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

B. Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenue of the Authority is contributions from developers. Operating expenses include contract and professional service fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

The following are descriptions of the Authority's funds:

- **The Los Angeles Grand Avenue Authority Fund** is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.
- **The Phase II Affordable Housing Fund** is used to deposit funds related to the Phase II Affordable Housing project.
- **The Phase IIB Affordable Housing Parcel M Fund** is used to hold the deposits by CRA.
- **The Phase I Lease Parcel Q** is used to deposit advanced payments of incentive rent and extension payments for Phase I of the Parcel Q project.

The Authority's financial statements are presented in accordance with the provisions of GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities and Statement No. 63 established standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The net position is required to classify into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

B. Significant Accounting Policies (Continued)

Restricted net position – This component of net position represents restricted assets net of liabilities that relate to those specific restricted assets. A restricted asset is an asset for which constraints have been placed on the asset's use by creditors, contributors, laws, or regulations of other governments, or as a consequence of a restriction established by the reporting government's own governing body at the time a particular fee, charge, levy, or assessment was approved. These restrictions must be narrower than the general purposes for which the reporting government can use its resources. As of June 30, 2017, the Authority had \$15,308,981 of Restricted Net Position.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

C. New Accounting Pronouncements

The following GASB Statements have been implemented in the current basic financial statements.

GASB 74	Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	Requires that notes to the financial statements of all defined benefit OPEB plans that are administered through trusts that meet the specified criteria include descriptive information, such as the types of OPEB provided, the classes of plan members covered, and the composition of the OPEB plan's board. All defined benefit OPEB plans are also required to present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes the annual money-weighted rate of return on OPEB plan investments for each year. This statement did not have an impact on the Authority's financial statements.
GASB 77	Tax Abatement Disclosures	Requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This statement did not have an impact on the Authority's financial statements.

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

C. New Accounting Pronouncements (Continued)

GASB 78	Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans	Amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement did not have an impact on the Authority's financial statements.
GASB 80	Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14	Amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement did not have an impact on the Authority's financial statements.
GASB 82	Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73	Amends Statements 67 and 68 to require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. This statement did not have an impact on the Authority's financial statements.

D. Revenue

The Authority's major source of revenue is contributions from developers and interest on deposited funds.

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

E. Capital Assets

Capital assets, which include land and buildings and improvements, would be reported in the statement of net position. Capital assets will be recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets will be recorded at estimated fair value at the date of donation. As of June 30, 2017, the Authority did not have any capital assets.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

NOTE 2 RELATED PARTY TRANSACTIONS

The County of Los Angeles maintains the books and records of the Authority, including the investment with the County Treasurer and Tax Collector.

NOTE 3 CASH ON DEPOSIT WITH COUNTY TREASURER

In accordance with the California Government Code, cash balances of the Authority are deposited with and pooled and invested by the Los Angeles County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily balance during the allocation period.

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 CASH ON DEPOSIT WITH COUNTY TREASURER (Continued)

Statutes authorize the County of Los Angeles to invest pooled investments in obligations of the United States Treasury, federal agencies, State and local agencies, municipalities, asset-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's Global Rating Services or P-1 by Moody's Investors Service, and F-1 by Fitch, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, time deposits, shares of beneficial interest of a Joint Powers Authority that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds registered with the Securities and Exchange Commission, the State of California's Local Agency Investment Fund, interest rate swaps, and supranational institutions.

Investments are stated at fair value and are valued on a monthly basis. The Treasurer categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active. Matrix Pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities classified in Level 3 are valued using the income approach such as discounted cash flow techniques. Investments in an external government investment pool are not subject to reporting within the level hierarchy.

See the County of Los Angeles' Comprehensive Annual Financial Report Note 5 for FY 2016-17 disclosures related to cash and investments and the related interest rate risk, credit rate risk, custodial risk, and concentration risk.

Funds deposited in the Los Angeles County Treasury Pool amounted to \$8,474,471 as of June 30, 2017. These amounts represent less than 0.1% of the total balance of the Los Angeles County Treasury Pool.

NOTE 4 NET POSITION

Net position at June 30, 2017, consisted of the following:

Restricted for projects	<u>\$ 15,308,981</u>
Total Net Position	<u><u>\$ 15,308,981</u></u>

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 LOAN RECEIVABLE

On December 12, 2012, the Authority loaned \$5,626,000 to Grand Avenue M Housing Partners, LLC as part of the financing for an affordable housing development to be constructed at 237 South Grand Avenue, in relation to the Bunker Hill Redevelopment Project. On September 4, 2015, the Authority loaned an additional \$369,000 to Grand Avenue M Housing Partners, LLC as part of the financing for the same affordable housing development. The term of the loan is 55 years, commencing December 12, 2012. The outstanding balance of the loan, including principal and interest, shall be due and payable in full upon the first to occur of the following: (a) the occurrence of a transfer (other than a permitted transfer) without the prior written consent of the Authority, which shall be granted or denied in the sole and absolute discretion of the Authority; (b) an unsecured Event of Default by the Borrower; or (c) expiration of the term of the loan. Interest on the loan is 3% per annum, simple interest on the principal amount.

The loan is secured by a deed of trust, which is subordinated to any senior loan approved by the Authority and any deed of trust in favor of a senior lender in connection therewith, any security instrument securing the letter of credit, and any regulatory agreement to be recorded in connection with financing the project and/or low income housing tax credits. The loan is senior to the \$7.7 million loan that Grand Avenue M Housing Partners, LLC has outstanding with Urban Funding, Inc.

The loan shall be repaid from annual payments equal to the Authority's share of residual receipts, if any. The Authority's share of residual receipts shall be equal to fifty percent (50%) of residual receipts.

The outstanding balance of the loan was \$5,995,000 at June 30, 2017. As of June 30, 2017, there was accrued interest of \$799,278 on the loan.

NOTE 6 COMMITMENTS AND CONTINGENCIES

On March 5, 2007, the Authority entered into a Disposition and Development Agreement (DDA) with the Grand Avenue LA, LLC (GALA) (the "Developer") to fulfill the purposes of the Joint Powers Agreement, dated as of September 2, 2003 by and between the County of Los Angeles (the "County") and the Community Redevelopment Agency of the City of Los Angeles, California (the "CRA"), to cause the development of certain real property adjacent to the Los Angeles downtown Civic Center and Music Center with retail, hotel, office, and housing (including affordable housing), all with an estimated development potential of approximately 3,200,000 square feet, together with destination urban park uses and remaking of Grand Avenue into active and inviting pedestrian uses. The DDA was subsequently amended with the most recent amendment being adopted November 22, 2016. This 5th amendment required the Developer to pay the Authority a \$7 million extension fee to be used at a later time, at the discretion of the Authority, for construction of public improvements and/or affordable housing on the Phase I site. The Authority received \$3 million in December 2016 and \$4 million in March 2017.

Supplemental Information

LOS ANGELES GRAND AVENUE AUTHORITY
Combining Statement of Net Position
As of June 30, 2017

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Phase I Ground Lease Parcel Q	Total
Assets					
Cash deposited with County Treasurer	\$ 419,143	\$ 21,587	\$ 13,267	\$ 8,020,474	\$ 8,474,471
Receivables:					
Accounts receivable	50,000				50,000
Accrued interest	2,548	109	799,345	31,222	833,224
Loan			5,995,000		5,995,000
Total Assets	<u>471,691</u>	<u>21,696</u>	<u>6,807,612</u>	<u>8,051,696</u>	<u>15,352,695</u>
Liabilities					
Accounts payable	43,714				43,714
Total Liabilities	<u>43,714</u>				<u>43,714</u>
Net Position					
Restricted for projects	427,977	21,696	6,807,612	8,051,696	15,308,981
Total Net Position	<u>\$ 427,977</u>	<u>\$ 21,696</u>	<u>\$ 6,807,612</u>	<u>\$ 8,051,696</u>	<u>\$ 15,308,981</u>

LOS ANGELES GRAND AVENUE AUTHORITY
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Phase I Ground Lease Parcel Q	Total
Operating Revenues:					
Contributions from developers	\$ 200,140	\$ -	\$ -	\$ 7,000,000	\$ 7,200,140
Total Operating Revenues	<u>200,140</u>			<u>7,000,000</u>	<u>7,200,140</u>
Operating Expenses:					
Contract and professional service fees	336,385				336,385
Total Operating Expenses	<u>336,385</u>				<u>336,385</u>
Operating Income (Loss)	(136,245)			7,000,000	6,863,755
Non-Operating Revenues:					
Interest	5,486	232	179,745	45,682	231,145
Change in Net Position	(130,759)	232	179,745	7,045,682	7,094,900
Net Position, beginning of the fiscal year	<u>558,736</u>	<u>21,464</u>	<u>6,627,867</u>	<u>1,006,014</u>	<u>8,214,081</u>
Net Position, end of the fiscal year	<u>\$ 427,977</u>	<u>\$ 21,696</u>	<u>\$ 6,807,612</u>	<u>\$ 8,051,696</u>	<u>\$ 15,308,981</u>

LOS ANGELES GRAND AVENUE AUTHORITY
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Phase I Ground Lease Parcel Q	Total
Cash Flows from Operating Activities:					
Cash received from developers	\$ 150,140	\$ -	\$ -	\$ 7,000,000	\$ 7,150,140
Cash paid to suppliers for goods and services	(353,675)				(353,675)
Net Cash Provided (Used) by Operating Activities	<u>(203,535)</u>			<u>7,000,000</u>	<u>6,796,465</u>
Cash Flows from Investing Activities:					
Interest received	4,279	169	105	16,524	21,077
Net Cash Provided (Used) by Investing Activities	<u>4,279</u>	<u>169</u>	<u>105</u>	<u>16,524</u>	<u>21,077</u>
Net Increase/(Decrease) in Cash	(199,256)	169	105	7,016,524	6,817,542
Cash Deposited with County Treasurer, Beginning of Fiscal Year	<u>618,399</u>	<u>21,418</u>	<u>13,162</u>	<u>1,003,950</u>	<u>1,656,929</u>
Cash Deposited with County Treasurer, End of Fiscal Year	<u>\$ 419,143</u>	<u>\$ 21,587</u>	<u>\$ 13,267</u>	<u>\$ 8,020,474</u>	<u>\$ 8,474,471</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (136,245)	\$ -	\$ -	\$ 7,000,000	\$ 6,863,755
Adjustments to reconcile operating income (Loss) to Net cash provided (used) by operating activities:					
(Increase) decrease in accounts receivable	(50,000)				(50,000)
Increase (decrease) in accounts payable	(17,290)				(17,290)
Net Cash Provided (Used) by Operating Activities	<u>\$ (203,535)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,000,000</u>	<u>\$ 6,796,465</u>